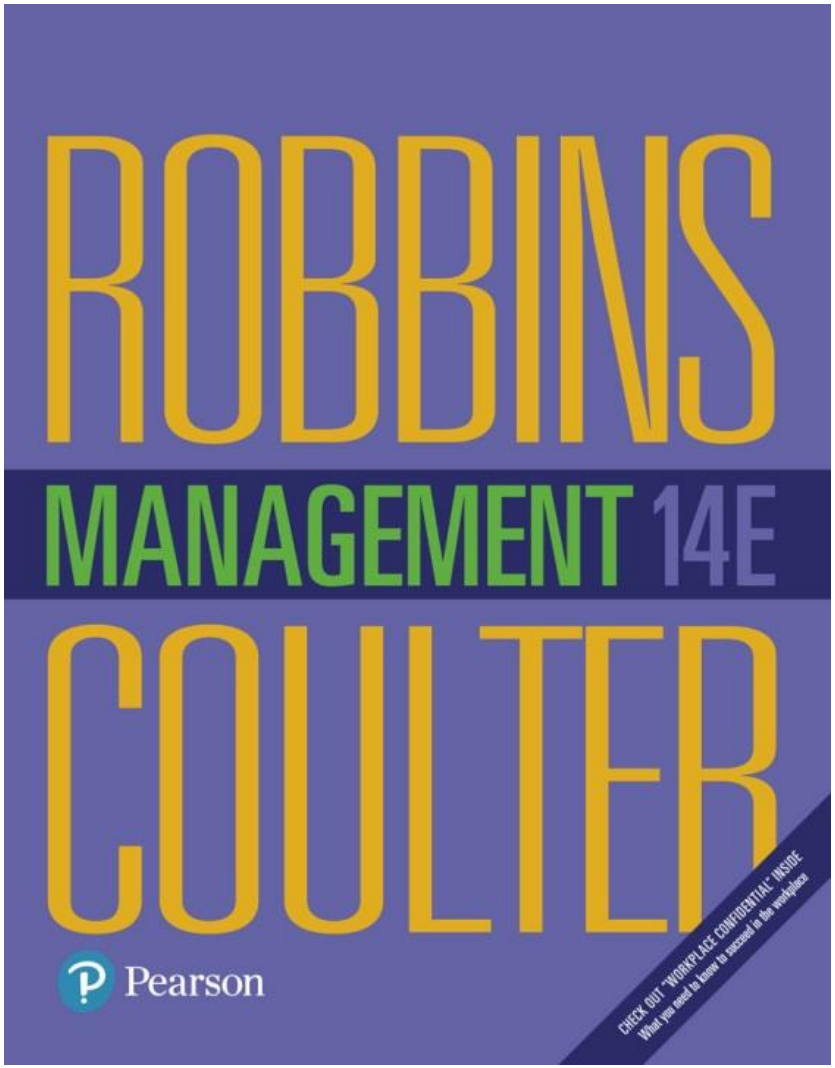
Management

Fourteenth Edition



Chapter 12

Managing Human Resources

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Learning Objectives

12.1 **Explain** the importance of human resource management and the human resource management process.

12.2 **Describe** the external influences that affect the human resource management process.

12.3 **Discuss** the tasks associated with identifying and selecting competent employees.

Know how to write effective job descriptions.

Develop your skill at being a good interviewer.

12.4 **Explain** how companies provide employees with skills and knowledge.

12.5 **Describe** strategies for retaining competent, high-performing employees.

12.6 **Discuss** contemporary issues in managing human resources.

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Why Human Resource Management is Important and the Human Resource Management Process

- Human resource management (HRM) can be a significant source of competitive advantage
- HRM is an important part of organizational strategies
- The way organizations treat their people can significantly impact performance

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High-Performance Work Practices

- **High-performance work practices**: work practices that lead to both high individual and high organizational performance

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Exhibit 12-1
High-Performance Work Practices

Practices
Self-managed teams
Decentralized decision making
Training programs to develop knowledge, skills, and abilities
Flexible job assignments
Open communication
Performance-based compensation
Staffing based on person-job and person-organization fit
Extensive employee involvement
Giving employees more control over decision making
Increasing employee access to information

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Exhibit 12-2
HRM Process

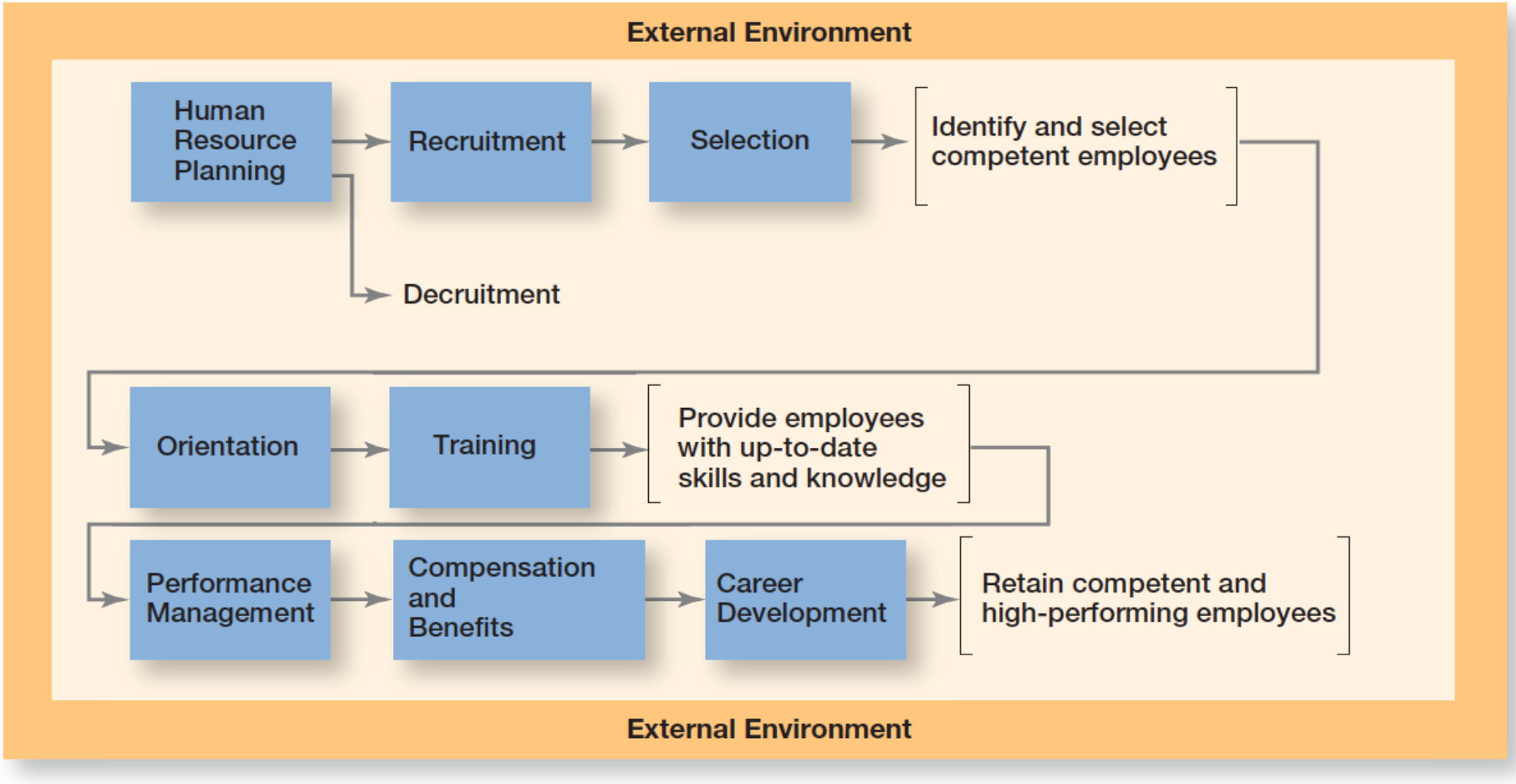

Exhibit 12-2 shows the eight steps in the HRM process.

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External Factors that Affect the Human Resource Management Process

- The economy: lasting impact of the Great Recession

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Labor Unions

- **Labor union**: an organization that represents workers and seeks to protect their interests through collective bargaining

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Laws and Rulings

- **Affirmative action**: Organizational programs that enhance the status of members of protected groups

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Exhibit 12-3: Major HRM Laws—Equal Employment Opportunity and Discrimination

Law or Ruling	Year	Description
Equal Pay Act	1963	Prohibits pay differences for equal work based on gender
Civil Rights Act, Title VII	1964 (amended 1972)	Prohibits discrimination based on race, color, religion, national origin, or gender
Age Discrimination in Employment Act	1967 (amended 1978)	Prohibits discrimination against employees 40 years and older
Vocational Rehabilitation Act	1973	Prohibits discrimination on the basis of physical or mental disabilities
Americans with Disabilities Act	1990	Prohibits discrimination against individuals who have disabilities or chronic illnesses; also requires reasonable accommodations for these individuals

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Exhibit 12-3: Major HRM Laws—Compensation/Benefits

Law or Ruling	Year	Description
Worker Adjustment and Retraining Notification Act	1990	Requires employers with more than 100 employees to provide 60 days' notice before a mass layoff or facility closing
Family and Medical Leave Act	1993	Gives employees in organizations with 50 or more employees up to 12 weeks of unpaid leave each year for family or medical reasons
Health Insurance Portability and Accountability Act	1996	Permits portability of employees' insurance from one employer to another
Lilly Ledbetter Fair Pay Act	2009	Changes the statute of limitations on pay discrimination to 180 days from each paycheck
Patient Protection and Affordable Care Act	2010	Health care legislation that puts in place comprehensive health insurance reforms

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Exhibit 12-3: Major HRM Laws—Health/Safety

Law or Ruling	Year	Description
Occupational Safety and Health Act (OSHA)	1970	Establishes mandatory safety and health standards in organizations
Privacy Act	1974	Gives employees the legal right to examine personnel files and letters of reference
Consolidated Omnibus Reconciliation Act (COBRA)	1985	Requires continued health coverage following termination (paid by employee)

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Global HRM

- **Work councils**: groups of nominated or elected employees who must be consulted when management makes decisions involving personnel
- **Board representatives**: employees who sit on a company's board of directors and represent the interests of the firm's employees

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Demography

- The oldest, most experienced workers (those born before 1946) make up 6% of the workforce
- Baby boomers make up 41.5% of the workforce
- Gen Xers make up almost 29% of the workforce
- Gen Yers make up almost 24% of the workforce

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Human Resource Planning

- **Human resource planning**: ensuring that the organization has the right number and kinds of capable people in the right places and at the right times
- Two steps:
  - Assessing current human resources
  - Meeting future HR needs

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Current Assessment

- **Job analysis**: an assessment that defines jobs and the behaviors necessary to perform them
- **Job description (position description)**: a written statement that describes a job
- **Job specifications**: a written statement of the minimum qualifications a person must possess to perform a given job successfully

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Meeting Future HR Needs/Increased Scrutiny in Selection Process

- Future HR needs are determined by the organization's mission, goals, and strategies.
- Companies that do not carefully scrutinize the qualifications or backgrounds of employees surely pose risks of increased liability, poor reputation, and lower performance.

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Recruitment and Decruitment

- **Recruitment**: locating, identifying, and attracting capable applicants
- **Decruitment**: reducing an organization's workforce

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Exhibit 12-4: Recruiting Sources

Source	Advantages	Disadvantages
Internet	Reaches large numbers of people; can get immediate feedback	Generates many unqualified candidates
Employee referrals	Knowledge about the organization provided by current employee; can generate strong candidates because a good referral reflects on the recommender	May not increase the diversity and mix of employees
Company website	Wide distribution; can be targeted to specific groups	Generates many unqualified candidates
College recruiting	Large centralized body of candidates	Limited to entry-level positions
Professional recruiting organizations	Good knowledge of industry challenges and requirements	Little commitment to specific organization

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Exhibit 12-5: Decruitment Options

Option	Description
Firing	Permanent involuntary termination
Layoffs	Temporary involuntary termination; may last only a few days or extend to years
Attrition	Not filling openings created by voluntary resignations or normal retirements
Transfers	Moving employees either laterally or downward; usually does not reduce costs but can reduce intraorganizational supply–demand imbalances
Reduced workweeks	Having employees work fewer hours per week, share jobs, or perform their jobs on a part-time basis
Early retirements	Providing incentives to older and more senior employees for retiring before their normal retirement date
Job sharing	Having employees share one full-time position

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Selection

- **Selection**: screening job applicants to ensure that the most appropriate candidates are hired

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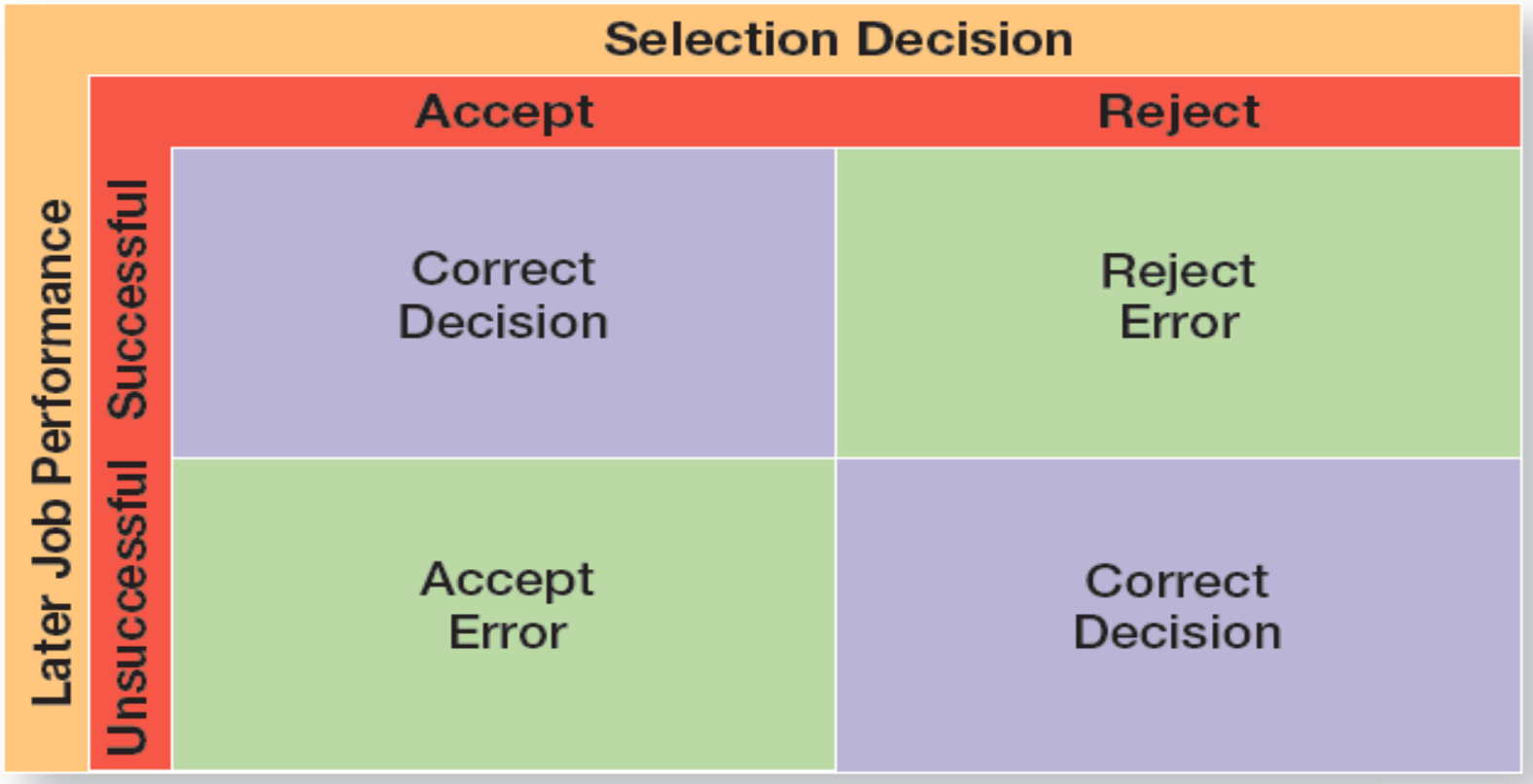
Exhibit 12-6
Selection Decision Outcomes



As shown in Exhibit 12-6, any selection decision can result in four possible outcomes—two correct and two errors.

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Validity and Reliability

- A valid selection device is characterized by a proven relationship between the selection device and some relevant criterion.
- A reliable selection device indicates that it measures the same thing consistently.

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Exhibit 12-7: Selection Tools

Tool	Characteristics
Application forms	Almost universally used Most useful for gathering information Can predict job performance but not easy to create one that does
Written tests	Must be job-related Include intelligence, aptitude, ability, personality, and interest tests Are popular (e.g., personality tests; aptitude tests) Relatively good predictor for supervisory positions
Performance simulation tests	Use actual job behaviors Work sampling—test applicants on tasks associated with that job; appropriate for routine or standardized work Assessment center—simulate jobs; appropriate for evaluating managerial potential
Interviews	Almost universally used Must know what can and cannot be asked Can be useful for managerial positions
Background investigations	Used for verifying application data—valuable source of information Used for verifying reference checks—not a valuable source of information
Physical examinations	Are for jobs that have certain physical requirements Mostly used for insurance purposes

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Realistic Job Preview

- **Realistic job preview (RJP)**: a preview of a job that provides both positive and negative information about the job and the company

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Orientation

- **Orientation**: introducing a new employee to his or her job and the organization

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Employee Training

- On average, U.S. companies spent $702 per employee for training.

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Exhibit 12-8
Types of Training

TYPE	INCLUDES
General	Communication skills, computer systems application and programming, customer service, executive development, management skills and development, personal growth, sales, supervisory skills, and technological skills and knowledge
Specific	Basic life–work skills, creativity, customer education, diversity/cultural awareness, remedial writing, managing change, leadership, product knowledge, public speaking/presentation skills, safety, ethics, sexual harassment, team building, wellness, and others

Exhibit 12-8 describes the major types of training that organizations provide.

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Exhibit 12-9: Traditional Training Methods

Method	Characteristics
On-the-job	Employees learn how to do tasks simply by performing them, usually after an initial introduction to the task.
Job rotation	Employees work at different jobs in a particular area, getting exposure to a variety of tasks.
Mentoring and coaching	Employees work with an experienced worker who provides information, support, and encouragement; also called apprenticeships in certain industries.
Experiential exercises	Employees participate in role-playing, simulations, or other face-to-face types of training.
Workbooks/ manuals	Employees refer to training workbooks and manuals for information.
Classroom lectures	Employees attend lectures designed to convey specific information.

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Exhibit 12-9: Technology-Based Training Methods

Method	Characteristics
CD-ROM/DVD/ videotapes/audiotapes/ podcasts	Employees listen to or watch selected media that convey information or demonstrate certain techniques.
Videoconferencing/ teleconferencing/satellite TV	Employees listen to or participate as information is conveyed or techniques demonstrated.
E-learning	Internet-based learning where employees participate in multimedia simulations or other interactive modules.
Mobile learning	Learning delivered via mobile devices.

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Employee Performance Management

- **Performance management system**: establishes performance standards used to evaluate employee performance

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Exhibit 12-10: Performance Appraisal Methods (1 of 2)

Method	Description	Advantages/Disadvantages
Written Essay	Evaluator writes a description of employee's strengths and weaknesses, past performance, and potential; provides suggestions for improvement.	+ Simple to use − May be better measure of evaluator's writing ability than of employee's actual performance
Critical Incident	Evaluator focuses on critical behaviors that separate effective and ineffective performance.	+ Rich examples, behaviorally based − Time-consuming, lacks quantification
Graphic Rating Scale	Popular method that lists a set of performance factors and an incremental scale; evaluator goes down the list and rates employee on each factor.	+ Provides quantitative data; not time-consuming − Doesn't provide in-depth information on job behavior

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Exhibit 12-10: Performance Appraisal Methods (2 of 2)

Method	Description	Advantages/Disadvantages
BARS (Behaviorally Anchored Rating Scale	Popular approach that combines elements from critical incident and graphic rating scale; evaluator uses a rating scale, but items are examples of actual job behaviors.	+ Focuses on specific and measurable job behaviors − Time-consuming; difficult to develop
Multiperson Comparison	Employees are rated in comparison to others in work group.	+ Compares employees with one another − Difficult with large number of employees; legal concerns
MBO	Employees are evaluated on how well they accomplish specific goals.	+ Focuses on goals; results oriented − Time-consuming
360-Degree Appraisal	Utilizes feedback from supervisors, employees, and coworkers.	+ Thorough − Time-consuming

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Compensation and Benefits

- **Skill-based pay**: a pay system that rewards employees for the job skills they can demonstrate
- **Variable pay**: a pay system in which an individual's compensation is contingent on performance

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Exhibit 12-11
What Determines Pay and Benefits

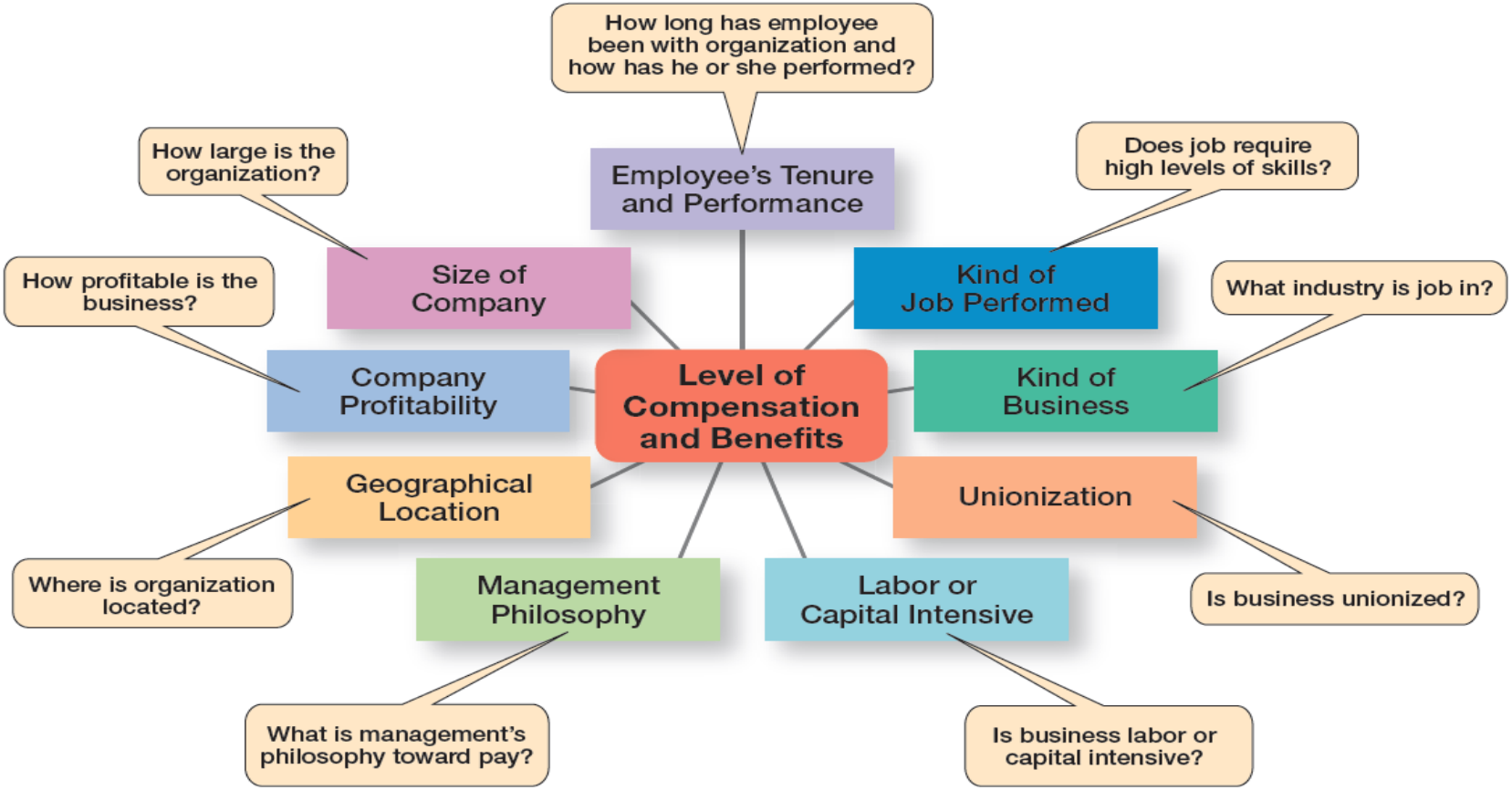
How long has employee been with organization and how has he or she performed?
Employee's Tenure and Performance
How large is the organization?
Size of Company
Does job require high levels of skills?
Kind of Job Performed
How profitable is the business?
Company Profitability
What industry is job in?
Kind of Business
Level of Compensation and Benefits
Geographical Location
Where is organization located?
Unionization
Is business unionized?
Management Philosophy
What is management's philosophy toward pay?
Labor or Capital Intensive
Is business labor or capital intensive?

Exhibit 12-11 summarizes the factors that influence the compensation and benefit packages that different employees receive.

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Managing Downsizing

- **Downsizing**: the planned elimination of jobs in an organization

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Exhibit 12-12: Tips for Managing Downsizing

Tip
Treat everyone with respect.
Communicate openly and honestly: *Inform those being let go as soon as possible. *Tell surviving employees the new goals and expectations. *Explain impact of layoffs.
Follow any laws regulating severance pay or benefits.
Provide support/counseling for surviving (remaining) employees.
Reassign roles according to individuals' talents and backgrounds.
Focus on boosting morale: *Offer individualized reassurance. *Continue to communicate, especially one-on-one. *Remain involved and available.
Have a plan for the empty office spaces/cubicles so it isn't so depressing for surviving employees.

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Managing Sexual Harassment

- **Sexual harassment**: any unwanted action or activity of a sexual nature that explicitly or implicitly affects an individual's employment, performance, or work environment

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Controlling HR Costs

- Employee health-care costs
- Employee pension plan costs

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Review Learning Objective 12.1

- **Explain the importance of human resource management and the Human Resource Management Process.**
  1. Competitive advantage
  2. Organizational strategies
  3. Impact of employee treatment on organizational performance

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Review Learning Objective 12.2

- **Describe the the external influences that affect the human resources management process.**
  - Economy
  - Labor unions
  - Legal environment
  - Demographic trends

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Review Learning Objective 12.3

- **Discuss the tasks associated with identifying and selecting competent employees.**
  - Planning:
    - Job analysis
    - Job description
    - Job specification
  - Recruitment/decruitment
  - Selection
  - Realistic job preview

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Review Learning Objective 12.4

- **Explain how companies provide employees with skills and knowledge.**
  - Orientation
  - Training:
    - Profession/industry-specific training
    - Management/supervisory skills
    - Mandatory/compliance information
    - Customer service training
  - Traditional training versus technology-based methods

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Review Learning Objective 12.5

- **Describe strategies for retaining competent, high-performing employees.**
  - Performance management system
  - Performance appraisal methods
  - Factors influencing compensation and benefits
  - Skill-based pay systems versus variable pay system

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Review Learning Objective 12.6

- **Discuss contemporary issues in managing human resources.**
  - Downsizing
  - Sexual harassment
  - Controlling HR costs

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